

# **RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

## **FINANCE COMMITTEE MEETING**

**Minutes of Meeting held Wednesday, October 10, 2012 @3:00 pm**

**Present: Michael Lewis, Chairperson; Jerome Williams and Margaret Holland McDuff**

**Also Present: Raymond Studley, Interim CEO; Clare Sedlock and Wayne Gannon, RIPTA Resource Team; Todd Gleason, Outside Counsel; Maureen Neira; Mark Therrien; Ellen Mandly; other members of the RIPTA Resource Team; and members of the public whose names are on the sign-in sheet.**

### **Agenda Item 1: Approval of Minutes of June 4, 2012 Meeting Minutes**

**Michael Lewis called the meeting to order at 3:05 and asked if the members had an opportunity to review the minutes of the June 4, 2012 Finance Committee meeting. The members indicated they had. Mr. Williams moved that the minutes of the June 4th meeting be approved as presented. Ms. Holland McDuff seconded the motion and the minutes were unanimously approved as presented.**

### **Agenda Item 2: FY 2014 Preliminary Budget**

**Michael Lewis began by stating that the committee was not planning to approve the FY 2014 budget at the meeting, rather they will get a briefing from staff, and review the budget in detail to get a sense of the scale of what is happening, and realizing there is a clear problem.**

**First Ms. Neira apologized for sending the FY 14 budget out late. She informed the committee that the State budget office wants to receive the document by October 31st, and that leaves only today and the Board meeting on October 24th to review this document. She said it is not unheard of to submit the preliminary budget without Board approval, but that would have to be clearly stated.**

**Ms. Neira said the first two pages of the document are an overview of the larger budget assumptions which we discuss the most. She left the service levels budgeted to remain consistent with FY 2013 but noted one big unknown is Rlde Program will change after the DHS program changes come through and the budget will then be modified.**

**Mr. Williams asked the timeframe and Mr. Therrien interjected the earliest we will see changes enacted is July 2013. Mr. Hannon said he is meeting with Director Powell and Secretary Costantino soon to get more information.**

**Ms. Neira began going over the revenue assumptions saying the base fare is currently at \$2.00 and no increase is planned. She described**

some existing UPass program revenues and a new freshman pilot program with the Providence school department with a fare is consistent with the \$2.00 fare. The gasoline tax subsidy yield is \$4,219,271 per penny and federal funds are based on the new MAP 21 authorization levels. Funding is consistent with FY 13 levels although FY 2014 doesn't include a one-time fuel reimbursement of \$1 million that was used to offset diesel prices in FY 13. In November of 2012 and May of 2013 we will receive gas yield revisions.

Next she discussed expense assumptions saying FTE's are consistent with FY 2013 and wages incorporates a contractual 3% wage increase for LIUNA 808. The ATU contract expires in June 30, 2013 and an estimated 2% wage increase has been included for ATU and non-represented. Health benefits are based on the State's working rate, which is approximately 10% greater than FY 13, and also includes employee co-pay of 15% based on collective bargaining agreements.

Ms. Neira explained that the Other Post Employment Benefits (OPEB) annual required contribution is \$7,987,503 based on the annual actuarial valuation which includes approximately \$1,751,511 of current retiree health payments which must be paid regardless. She described the line items for specialized consulting services and costs for hazardous waste/environmental compliance, insurance broker, workers compensation TPA, training and security a portion of which will be reimbursed 80% by federal grants. She said that insurance

includes policies for building contents, flood, D&O and fiduciary and includes costs for auto liability settlements and workers compensation based on claims estimates.

Ms. Neira reminded the committee that the budgeted price for fuel in FY 2013 was \$3.50 per gallon and we had locked in fuel at \$3.1497. The current fuel lock-in price is \$3.60 but due to unrest in the Middle East and the upcoming presidential elections it is unknown what the price will be next year. Staff will continue to monitor lock-in prices and keep the Committee apprised.

Ms. Neira discussed the self-insurance reserve account saying that beginning FY 2014, in addition to depositing any subrogation settlements and interest earned, the Authority is proposing to set aside \$250,000 annually from the operating budget. These funds will be deposited in June of each fiscal year into the self-insurance reserve account, until such time (approximately 20 years) as the fund totals \$5,000,000. The fund currently has a balance of \$360,282. The foregoing is one recommendation and Ms. Neira said she welcomes others. She finished by discussing debt service which is determined by the State and is set at \$1,697,000 for FY 2014.

Ms. Neira said the next 4 pages of the document are the key assumptions translated into dollars. She stated that the FY 2013 budget contained in this document was the approved in May and did not include any updates and modifications which she will make in

November. She then explained the reason for the drop in federal reimbursement funds.

Wayne Hannon addressed the committee and said the resource team is planning to look at areas where we can make cuts/adds. He said he, Ms. Neira and Karen DiLauro have not yet met to review these items in detail, but he thinks by the next meeting they will have recommendations to help reduce the deficit on the revenue and expense side in FY 13 and 14. Chairman Lewis asked that the recommendations be ready for the October Board meeting.

Chairman Lewis asked for questions and Ms. Holland McDuff wondered if there were any major worries aside from the Ride Program changes. Ms. Neira said on the expense side fuel and healthcare costs are a big unknown and on the revenue side the gas tax yield. Mr. Hannon said that the resource team will be making at least one suggestion at the October Board meeting that would increase revenue substantially for FY 13 and FY 14.

Mr. Williams asked if there were any changes under wages to overtime. Ms. Neira said there were no changes to what was there for FY 2013 after reductions. Mr. Hannon said they are looking at potential overtime cost savings derived from shifting some staff from part-time to full-time.

Ms. Neira discussed the State of Rhode Island OPEB Trust Fund and said if the Authority does not fund OPEB at 100% for \$7.9 million, we

still will incur the current retirees health care cost of \$1.7 million, which must remain in the budget. And under the specialized consulting services line item, the Authority will complete the COA in FY 13 and not continue to incur consulting costs in FY 14 for that project, however an additional expense, estimated at approximately \$350,000 annually has been added for new security detail and services.

She then answered questions related to out-of-state travel, training/seminars, utilities, computer expenses capital match, capital/bus replacement, self-insurance and parts and equipment. Mr. Williams suggested that the parts be inventoried to determine if obsolete parts are being held in stock. Ms. Neira said she would follow-up on the parts issue with Mr. Harwood and then explained how the maintenance department puts together “campaigns” in order to tap into federal parts reimbursements.

Mr. Williams said that parts inventory is one of our biggest expenditures and needs to be looked at closely. Mr. Studley said the resource team is looking into bar coding as one way to control inventory. Mr. Hannon commented that parts inventory is a big expense that the team has not yet had a chance to fully focus on. A brief discussion of various inventory control procedures was held.

Ms. Neira discussed the Routematch and Sunguard System maintenance costs and then commented on capital assets and a

discretionary grant requiring about \$220,000 match for repairs to the east side tunnel and waiting area and transportation maintenance software to replace the timekeeping and scheduling software which requires a \$400,000 match. She discussed RIPTA's revolving loan fund which is money set aside to pay local match on capital projects such as the ATMS, cameras and solar roof projects.

She finished by saying right now the FY 2014 deficit is at over \$17 million dollars and FY 2013 contains a \$7.8 million dollar deficit which makes close to \$25 million in cumulative deficits for both years. Mr. Williams said the reality is if we do not fix the current almost \$8 million dollar problem RIPTA will soon be out of business.

Ms. Neira talked about ADA reimbursement and Ms. Holland McDuff asked if any other state transit properties had come up with creative ways to address the ADA funding gap. Mr. Therrien said no and Mr. Hannon said the resource team had met with the MBTA on this issue and MBTA said they never break even.

Following this discussion Michael Lewis asked for a motion to present the Finance Committee's report on the FY 2014 Preliminary Budget to the full Board at the October meeting. Prior to making the motion Mr. Williams asked Ms. Neira for a cash flow update. Ms. Neira does not yet have the September figures. Mr. Williams opined that by March RIPTA will have a major cash flow problem. Mr. Hannon said he has not yet seen the cash flow and the Authority's

debt service. Mr. Hannon said they were able to get the budget office to agree to forestall paying the debt service upfront, and to have RIPTA's debt service paid similar to RIDOT's by the State. This gained us about \$400,000 per quarter which will help cash flow. Mr. Williams said that we are still left with a cash flow problem next year.

Following the cash flow discussion Mr. Williams made a motion that the Finance Committee sends the FY 2014 budget to the full Board to review along with the Resource Team recommendations. Ms. Holland McDuff seconded the motion and it passed unanimously.

**Agenda Item 3: FY 12 Auditor's Report by Braver, PC**

**Agenda Item 6: Executive Session to consider, discuss and act upon such matters as may Be closed to the public pursuant to R. I. Gen. Laws § 42-46-5(a)(1) [job performance of an employee], R. I. Gen. Laws § 42-46-5(a)(2) [potential litigation related to security breaches], R. I. Gen. Laws § 42-46-5(a)(3) [security status update], and R. I. Gen. Laws § 42-46-5(a)(4) [preliminary investigative report by appointed overseer of agency's operations and controls], as may be appropriate**

Michael Lewis asked for a motion to convene to executive session and Mr. Williams read the law to go to executive session and made the motion. Ms. Holland McDuff seconded the motion and a roll call vote was taken. The motion to adjourn to executive session passed unanimously.



**Following the Board's return to open session Mr. Williams made a motion to seal the minutes of the executive session. Ms. Holland McDuff seconded the motion, and it passed unanimously.**

#### **Agenda Item 4: Old Business**

**No old business was discussed.**

#### **Agenda Item 5: Public Comment**

**There was no public comment.**

#### **Agenda Item 7: Adjournment**

**There being no further business Mr. Williams made a motion to adjourn. Ms. Holland McDuff seconded the motion and the meeting was adjourned.**

**Respectfully submitted,**

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**Ellen M. Mandly**

**Recording Secretary**